

UNITED STATES OF AMERICA  
Before The  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes, 2000 )

Docket No. R2000-1

SUPPLEMENTAL DIRECT TESTIMONY  
OF  
PAMELA A. THOMPSON

1 The purpose of my supplemental direct testimony is three-fold. First, I use the  
2 cost model to replicate the Postal Service's test year after rate costs with the PESSA  
3 allocations. My results are shown in the attached Exhibit 3C, columns B and C. Then, I  
4 incorporate into the OCA's cost proposal the Additional Workday cost effect correction  
5 for FY 00 and FY 01 as noted in the Postal Service's response to P.O. Information  
6 Request 6 (April 10, 2000), POIR-6-3. The results are shown in Exhibits 3A through  
7 3C. Finally, I incorporate the OCA's proposed variability changes into the test year after  
8 rate PESSA allocations. My results are shown in Exhibit 3C, columns D and E.  
9 Copies of my files are provided as a supplement to OCA-LR-I-1. Due to time  
10 constraints, I did not incorporate the following USPS corrections: (1) Rehabilitation  
11 program costs (Tr. 2/660-662); (2) Labor cost changes (P.O. Information Request No.  
12 7 (April 6, 2000), POIR-7-1); and (3) Mail volume changes due to reclassifying from  
13 Priority to First-Class those pieces weighing more than 11 ounces but not more than 13  
14 ounces (Tr. 9/3578).

15 The commands I used to replicate the Postal Service's costs as well as the  
16 commands used to produce the OCA costs are provided below.

17  
18 General Instructions:

19 Create a "\tmp" directory on the root of the computer drive you are using. The  
20 "LP" program called by the batch file PRTROLL requires the "\tmp" directory. The files

used by the OCA to replicate the USPS test year PESSA costs, incorporate the USPS Additional Workday correction, and calculate the effect of OCA witnesses' proposals are provided on a diskette that supplements OCA-LR-I-1. To facilitate the cost roll forward process, I use DOS "batch" files to replicate the cost model commands issued. The new DOS based commands are highlighted in the instructions provided below. Follow each command with a carriage return (<ENTER>). The files requested by the program during execution are enclosed in quotation marks.

Commands Used To Replicate USPS Results:

**C1;**

**L1;**

**C2 – "OCARIP1.DAT;"**

**L2;**

**C3 – "OCARIP2.DAT;"**

**L3;**

**C4 – "OCARIP3.DAT;"**

**L4 (Includes FY 98 PESSA costs);**

**R99; and**

**R99SPA.**

Then, use PRCEDIT.EXE to eliminate (zero-out) residual amounts in Standard A Single Piece Mail (row 12) for the following USPS components:

2:9, 2:29, 2:30, 2:32, 2:678, 3:228, 6:45, 16:177, 18:199, 18:200, 18:201, and 18:204.

Continue the costing model process by executing the following DOS batch files:

**CFS – "VBL2RCR.DAT ;"**

**R99ADJ – (Contains Workyear Mix Adjustment);**

**R00;**

**R00ADJ – (Contains Workyear Mix Adjustment);**

**R01;**

**R01ADJ – (Contains Workyear Mix Adjustment); and**

**L5**

Commands Used To Implement The OCA's Proposal And The USPS Additional  
Workday Correction:

C1;

L1;

C2 – "OCARIP1.DAT;"

L2;

C3 – "OCARIP2.DAT;"

L3;

C4 – "OCARIP3.DAT;"

L4 (Includes FY 98 PESSA costs);

R99; and

R99SPA.

Then, use PRCEDIT.EXE to eliminate (zero-out) residual amounts in Standard A Single  
Piece Mail (row 12) for the following USPS components:

2:9, 2:29, 2:30, 2:32, 2:678, 3:228, 6:45, 16:177, 18:199, 18:200, 18:201, and 18:204.

Continue the costing model process by executing the following DOS batch files:

R99ADJ – (Contains Workyear Mix Adjustment);

SR00;

SR00ADJ – (Contains Workyear Mix Adjustment);

SR01;

SR01ADJ – (Contains Workyear Mix Adjustment); and

SL5;

## Exhibit 3A

## Incorporation Of OCA Witnesses Smith's and Ewen's Cost Proposals w/o PESSA Costs (\$000)

Includes USPS Changes and USPS Additional Workday Correction

Description	OCA Base Year	With Workyr Adjustment	With Workyr Adjustment	With Workyr Adjustment
		OCA FY 99	OCA FY 00	OCA FY 01
<b>First-Class Mail</b>				
Single-Piece Letters	11,340,472	11,524,395	11,565,982	11,653,745
Presort Letters	3,730,367	4,027,943	4,241,861	4,509,479
TTL Letters	15,070,839	15,552,338	15,807,843	16,163,224
Single-Piece Cards	479,746	473,093	479,783	481,880
Presort Cards	133,930	132,847	143,520	152,304
TTL Cards	613,676	605,940	623,303	634,184
TTL First-Class	15,684,515	16,158,278	16,431,146	16,797,408
Priority Mail	2,353,358	2,602,866	2,696,438	2,812,923
Express Mail	336,962	370,545	382,934	407,906
Mailgrams	914	905	880	796
<b>Periodicals:</b>				
In-County	68,570	68,708	70,611	70,292
Outside County:				
Regular	1,593,774	1,678,956	1,744,333	1,779,447
Non-Profit	330,580	316,562	323,336	320,528
Classroom	12,524	12,591	12,614	12,048
TTL Periodicals	2,005,448	2,076,817	2,150,894	2,182,315
<b>Standard Mail (A)</b>				
Single-Piece Rate	191,220	-	-	-
Commercial Std:				
Enhanced Carr Rte	2,002,788	1,998,098	2,042,881	2,131,781
Regular	4,980,967	5,684,503	6,158,164	6,190,107
TTL Standard (A)	6,983,755	7,682,601	8,201,045	8,321,888
<b>Aggregate Non-Profit</b>				
NonProf Enh Carr Rte	151,006	170,370	174,590	173,089
NonProfit	1,024,137	1,089,963	1,132,474	1,175,010
TTL Aggreg Non-Pro	1,175,143	1,260,333	1,307,064	1,348,099
TTL Standard (A)	8,350,118	8,942,934	9,508,109	9,669,987
<b>Standard Mail (B)</b>				
Parcels Zone Rate	859,748	900,924	1,001,982	1,052,828
Bound Printed Matter	347,283	365,891	384,783	407,972
Special Standard	220,029	239,512	252,481	258,734
Library Mail	36,724	38,632	40,043	40,739
TTL Standard (B)	1,463,784	1,544,959	1,679,289	1,760,273
<b>US Postal Service</b>	232,795	242,614	233,994	233,649
Free Mail - Bld, Hndcpd &	30,198	31,346	33,019	35,084
International Mail	1,243,928	1,128,703	1,276,406	1,312,756
TTL Mail	31,702,020	33,099,967	34,393,109	35,213,097
<b>Special Services:</b>				
Registry	78,000	73,201	69,717	62,651
Certified	354,730	356,156	381,666	389,580
Insurance	54,760	67,392	66,639	66,020
COD	12,517	13,602	13,203	12,821
Special Delivery	1	1	1	1
Money Orders	102,224	112,568	120,554	123,338
Stamped Cards	3,208	3,135	3,145	3,359
Stamped Envelopes	12,420	10,754	10,874	11,514
Special Handling	1,590	1,598	1,642	1,693
Post Office Box	79,378	85,251	89,572	93,158
Other	74,725	84,768	105,830	113,405
TTL Special Services	773,553	808,426	862,843	877,540
<b>TTL Vol Variable</b>	32,475,573	33,908,393	35,255,952	36,090,637
Other	27,090,940	28,695,709	29,738,855	31,452,129
Total Costs	59,566,513	62,604,102	64,994,807	67,542,766
See OCA-LR-I-1 \SUPP	by98lps.bin	FY99adj.bin	SFY00adj.bin	SFY01adj.bin

\* Incorporates the additional workday USPS correction for segment 18, component 192.

See P.O. Information Request No. 6 (April 10, 2000), POIR-6-3.

## Exhibit 3B

Delta USPS - OCA A Report w/o PESSA and With USPS Changes and  
Additional Workday Correction (\$000)

Description	Delta OCA - USPS Base Year	Delta OCA - USPS FY 99	Delta OCA - USPS FY 00	Delta OCA - USPS FY 01
First-Class Mail				
Single-Piece Letters	863,903	884,359	895,725	900,644
Presort Letters	167,249	180,167	188,344	197,423
TTL Letters	1,031,152	1,064,526	1,084,069	1,098,067
Single-Piece Cards	37,029	36,777	37,567	37,458
Presort Cards	6,672	6,610	7,140	7,521
TTL Cards	43,701	43,387	44,707	44,979
TTL First-Class	1,074,853	1,107,913	1,128,776	1,143,046
Priority Mail	191,142	201,875	212,548	221,781
Express Mail	5,988	6,482	6,803	7,349
Mailgrams	69	66	63	59
Periodicals:				
In-County	1,945	1,964	2,021	2,051
Outside County:				
Regular	68,956	73,494	80,825	112,924
Non-Profit	13,155	12,545	10,691	(8,796)
Classroom	500	506	504	445
TTL Periodicals	84,556	88,509	94,041	106,624
Standard Mail (A)				
Single-Piece Rate	9,433	-	-	-
Commercial Std:				
Enhanced Carr Rt	68,537	68,464	70,159	73,346
Regular	280,222	321,665	349,682	354,457
TTL Standard (	348,759	390,129	419,841	427,803
Aggregate Non-Profit				
NonProf Enh Carr	6,487	7,366	7,543	7,464
NonProfit	65,113	69,628	72,562	75,583
TTL Aggreg No	71,600	76,994	80,105	83,047
TTL Standard (	429,792	467,123	499,946	510,850
Standard Mail (B)				
Parcels Zone Rate	12,396	13,056	14,624	16,384
Bound Printed Matte	9,302	9,866	10,449	11,209
Special Standard	6,021	6,576	6,980	7,231
Library Mail	755	815	776	590
TTL Standard (B)	28,474	30,313	32,829	35,414
US Postal Service	13,925	14,580	14,107	14,143
Free Mail - Bld, Hndc	1,894	1,984	2,116	2,271
International Mail	19,874	19,507	21,613	21,836
TTL Mail	1,850,567	1,938,352	2,012,842	2,063,373
Special Services:				
Registry	664	620	596	541
Certified	12,786	12,846	13,905	14,317
Insurance	621	769	766	767
COD	283	309	294	291
Special Delivery	-	-	-	-
Money Orders	(19)	(14)	(17)	(19)
Stamped Cards	-	(1)	(1)	(1)
Stamped Envelopes	-	-	2	1
Special Handling	67	52	54	57
Post Office Box	(16)	(18)	(14)	(10)
Other	2,177	2,229	2,256	2,230
TTL Special Servi	16,563	16,792	17,841	18,174
TTL Vol Variable	1,867,130	1,955,144	2,030,683	2,081,547
Other	(1,867,136)	(1,931,501)	(1,965,800)	(2,005,939)
Total Costs	(6)	23,643	64,883	75,608

## Exhibit 3C

## USPS and OCA Comparisons of Test Year w/PESA (\$000)

	A	B	C	D	E
	USPS	OCA - Replica.	DELTA	OCA - Proposal	DELTA
Description	Test Year	USPS Test Yr	B - A	w/ USPS Chgs	D - A
	With PESSA	With PESSA	Over / (Under)	Test Year	OCA
				W/Pessa	Over / (Under)
First-Class Mail					
Single-Piece Letters	12,925,691	12,925,514	(177)	13,947,925	1,022,234
Presort Letters	5,098,247	5,097,851	(396)	5,325,150	226,903
TTL Letters	18,023,938	18,023,365	(573)	19,273,075	1,249,137
Single-Piece Cards	526,750	526,814	64	568,977	42,227
Presort Cards	168,719	168,697	(22)	177,108	8,389
TTL Cards	695,469	695,511	42	746,085	50,616
TTL First-Class	18,719,407	18,718,876	(531)	20,019,160	1,299,753
Priority Mail	2,887,653	2,887,600	(53)	3,130,229	242,576
Express Mail	469,253	469,246	(7)	476,966	7,713
Mailgrams	976	977	1	1,039	63
Periodicals:					
In-County	79,412	79,364	(48)	81,612	2,200
Outside County:					
Regular	1,933,256	1,933,448	192	2,059,988	126,732
Non-Profit	379,093	379,083	(10)	368,566	(10,527)
Classroom	13,692	13,660	(32)	14,139	447
TTL Periodicals	2,405,453	2,405,555	102	2,524,305	118,852
Standard Mail (A)					
Single-Piece Rate	-	-	-	-	-
Commercial Std:					
Enhanced Carr Rte	2,398,626	2,398,739	113	2,478,441	79,815
Regular	6,971,212	6,971,645	433	7,357,415	386,203
TTL Commercial	9,369,838	9,370,384	546	9,835,856	466,018
Aggregate Non-Profit					
NonProf Enh Carr Rte	196,943	196,978	35	205,132	8,189
NonProfit	1,312,948	1,312,963	15	1,395,840	82,892
TTL Aggreg Non-	1,509,891	1,509,941	50	1,600,972	91,081
TTL Standard (A)	10,879,729	10,880,325	596	11,436,828	557,099
Standard Mail (B)					
Parcels Zone Rate	1,067,100	1,067,154	54	1,084,238	17,138
Bound Printed Matter	467,516	467,523	7	479,590	12,074
Special Standard	293,849	293,797	(52)	301,567	7,718
Library Mail	46,287	45,990	(297)	46,894	607
TTL Standard (B)	1,874,752	1,874,464	(288)	1,912,289	37,537
US Postal Service	266,649	266,685	36	283,373	16,724
Free Mail - Bld, Hndcpd	39,364	39,355	(9)	41,808	2,444
International Mail	1,395,040	1,395,059	19	1,418,698	23,658
TTL Mail	38,938,276	38,938,142	(134)	41,244,695	2,306,419
Special Services:					
Registry	83,275	83,269	(6)	83,685	410
Certified	447,087	447,125	38	462,912	15,825
Insurance	75,121	75,125	4	75,952	831
COD	14,674	14,673	(1)	14,991	317
Special Delivery	1	1	-	1	-
Money Orders	150,239	150,251	12	150,099	(140)
Stamped Cards	3,360	3,359	(1)	3,359	(1)
Stamped Envelopes	12,238	12,241	3	12,236	(2)
Special Handling	2,421	2,420	(1)	2,474	53
Post Office Box	574,855	574,868	13	574,565	(290)
Other	135,967	135,971	4	140,130	4,163
TTL Special Service	1,499,238	1,499,303	65	1,520,404	21,166
TTL Vol Variable	40,437,514	40,437,445	(69)	42,765,099	2,327,585
Other	27,029,645	27,029,971	326	24,777,666	(2,251,979)
Total Costs	67,467,159	67,467,416	257	67,542,765	75,606

Sources: USPS-T-14 W

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